



BILLING CODE: 3410-30-P

DEPARTMENT OF AGRICULTURE

Food and Nutrition Service

Request for Information: State Administrative Expense Allocation Formula for Child Nutrition Programs

AGENCY: Food and Nutrition Service (FNS), USDA.

ACTION: Notice; Request for Information

SUMMARY: This is a request for information from State agencies administering Child Nutrition programs and State distributing agencies to learn about the successes, challenges, and needs for the State Administrative Expense (hereafter referred to as “SAE”) allocation formula. It is not a request for proposal and does not commit the Government to issue a solicitation, make an award, or pay any costs associated with responding to this announcement. All submitted information shall remain with the Government and will not be returned. All responses will become part of the public record and will not be held confidential.

The Food and Nutrition Service (FNS) is seeking information on the SAE allocation formula for the Department’s oversight and management of Child Nutrition Programs (CNP), specifically the National School Lunch Program (NSLP), School Breakfast Program (SBP), Child and Adult Care Food Program (CACFP), Special Milk Program (SMP) and the Food Distribution Program for schools (FDP). To better understand the availability and use of SAE funds, FNS is requesting

information from CNP State administering agencies, State distributing agencies, and CNP affiliate associations about SAE allocation, reallocation, fund uses, and fund restrictions at the State level.

The objectives of this request for information are to:

1. Identify ways that the formula meets or fails to meet State spending needs.
2. Identify if additional flexibilities in SAE funding levels and rules could improve program administration.

FNS will use the comments in response to this Request for Information to inform a larger study on the SAE formula entitled, *Assessing the Child Nutrition State Administrative Expense (SAE) Allocation Formula*. This study will assess the effectiveness of the current formula used for SAE allocations, identify and examine factors that influence State spending, and develop and test a range of possible alternatives to improve the SAE allocation formula.

DATES (if applicable): To be assured of consideration, written comments must be submitted or postmarked on or before (INSERT DATE THAT IS 60 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER).

ADDRESSES: The Food and Nutrition Service, USDA, invites the submission of the requested information through one of the following methods:

- Preferred method: Submit information through the Federal eRulemaking Portal at <http://www.regulations.gov>. Follow the online instructions for submissions.

- Mail: Submissions should be addressed to Jinee Burdg, Social Science Policy Analyst, Office of Policy Support, FNS, U.S. Department of Agriculture, 3101 Park Center Drive, Room 1014, Alexandria, VA 22302. Comments may also be emailed to jinee.burdg@fns.usda.gov.

All information properly and timely submitted, using one of the three methods described above, in response to this request for information will be included in the record and will be made available to the public on the Internet at <http://www.regulations.gov>. Please be advised that the substance of the information provided and the identity of the individuals or entities submitting it will be subject to public disclosure.

All written comments will be open for public inspection at the FNS office located at 3101 Park Center Drive, Alexandria, Virginia, 22302, Room 1014, during regular business hours (8:30 am. to 5:00 p.m., Monday through Friday). All responses to this notice will be summarized and included in the request for Office of Management and Budget (OMB) approval. All comments will be a matter of public record.

FOR FURTHER INFORMATION CONTACT: Requests for additional information or copies of this request for information should be directed to Jinee Burdg at Jinee.Burdg@fns.usda.gov.

SUPPLEMENTARY INFORMATION:

CNPs are operated by a wide variety of local public and private providers that enter into agreements with State agencies, which are responsible for oversight and administration,

including monitoring program operations and distributing federal cash reimbursements and USDA Foods. The number of agreements the State has with local CNP entities contributes significantly to the level of effort needed in State administration. Local organizations that have agreements with the State to operate NSLP, SBP, and SMP are referred to as school food authorities (SFAs). SFAs are public and private nonprofit local educational agencies (including charter schools) that operate the programs in schools under their jurisdiction, as well as residential child care institutions. The number of SFAs across States varies widely, often depending on the educational structure of local educational agencies in the State (i.e., county-based programs vs. single-site SFAs).

Under the FDP for schools, USDA accepts food orders from States and then purchases food for States to provide to SFAs for use in their meal service (USDA Foods). States are responsible for the ordering, storage and distribution of the USDA Foods to the local “recipient agencies” (i.e., SFAs).

In CACFP, States enter into agreements with “institutions,” which include independent (i.e., single-site) child care centers, adult care centers, and sponsoring organizations of family day care homes and/or centers. Similar to the NSLP, SBP, and SMP, the number of CACFP institutions across States varies widely, based on a variety of factors such as the popularity of family day care homes vs. centers and the number of afterschool care programs. The adult care component of CACFP is very small, with the majority of meals served in a small number of States.

The State agencies that administer these CNPs include Education, Health, Human/Social Services, and Agriculture departments. In total, there are 85 State agencies in 54 States and territories that administer the programs and receive SAE from FNS. In 31 States, there is one agency (either Education or Agriculture) administering School Programs, FDP, and CACFP; 16 States have two agencies; and the remaining 7 States have three agencies.

In fiscal year 2017, State agencies received over \$282 million in federal grants to administer certain CNPs. The amount of funding allocated to each State agency is based on the SAE allocation formula, which was last revised in the 1990s. FNS is interested in learning in what ways the formula meets or fails to meet State spending needs; some State Agencies return excess funds year after year whereas other States request additional funds year after year. The *Assessing the Child Nutrition State Administrative Expense (SAE) Allocation Formula* study will evaluate the effectiveness of the current formula used for SAE allocations, examine factors that influence State spending, and develop and test a range of possible alternatives for the SAE allocation formula and for reallocation.

The current SAE allocation formula consists of nondiscretionary funds (i.e., those funds required to be allocated as prescribed by statute) and discretionary funds (i.e., funds remaining after the nondiscretionary allocations are made). The first step in the allocation process is to determine the total amount of SAE funds available for allocation to State agencies. This amount, prescribed in Section 7(a)(1) of the Child Nutrition Act, is an amount equal to not less than 1½ percent of program expenditures for the second preceding fiscal year for the NSLP, SBP, SMP, and CACFP. Once the amount of funds available is determined, the nondiscretionary funds are

allocated among state agencies based on a formula using the percentage of the second preceding fiscal year's program expenditures, in accordance with 7 CFR 235.4(a). Discretionary funds are partially distributed in equal shares to states that administer specific programs and partially prorated based on number of program participants per state under 7 CFR 235.4(b). Residual funds are prorated among state agencies administering CACFP and FDP. In addition, FNS uses funds returned to it to provide funds to SAs through reallocations (7 CFR 235.5(d)) and to provide for start-up costs to SAs assuming administration of program currently administered by FNS.

FNS requests that CNP State administering agencies, State distributing agencies, CNP affiliate associations, and other interested parties respond in detail to any or all of the items below. Please provide any material that addresses the information requested or any other information that may be pertinent. FNS will consider comments that may require regulatory or statutory changes. Additional references or links to materials are welcome.

1. What challenges, if any, does your State have with SAE? Please discuss processes, timing, Federally-imposed requirements/restrictions, State-imposed requirements/restrictions, the Maintenance of Effort requirement or other requirements, issues around reallocation, changes in the indirect cost rate, and other challenges/barriers. If your State has successfully overcome these challenges, can you please share any best practices that may be helpful for other States?
2. What aspects of SAE work well for your State? Please identify the aspect that works well and why it works well for your particular State.

3. Does the current SAE funding methodology and regulations provide you with levels of funding and flexibility commensurate with your program administration needs (including NSLP/SBP, CACFP, and FDP)?
4. Please identify whether your State transfers funds among State agencies, receives reallocations, or neither. Please discuss why your funding levels are or are not appropriate.
5. What funding level (e.g., percentage increase or decrease) or basis for funding level would be appropriate?
6. Please discuss how the availability of other program-specific funds such as the Summer Food Service Program State Administrative Fund and CACFP Audit Funds affect your State's ability to support the overall administration of CNPs.
7. Please provide any other comments applicable to the SAE requirements and processes.¹

Dated: July 23, 2018.
Brandon Lipps,
Administrator,
Food and Nutrition Service.

¹ See 42 USC 1776. <https://www.gpo.gov/fdsys/pkg/USCODE-2010-title42/pdf/USCODE-2010-title42-chap13A-sec1776.pdf>

